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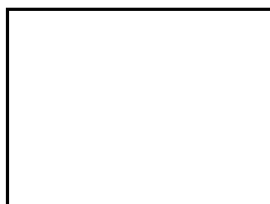
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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 1 April 1978

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Saturday, 1 April 1978.

The NID Cable is for the purpose of informing senior US officials.

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EGYPT-ISRAEL: Weizman Trip

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[] The lack of progress during Israeli Defense Minister Weizman's trip to Cairo on Thursday and Friday cannot have come as a surprise to either side. Both the Israeli and Egyptian governments played the visit primarily for its domestic and international impact, although they share a genuine interest in keeping alive their channel of communication through Weizman.

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[] Israeli Prime Minister Begin presumably had several objectives in pressing for Weizman's visit:

- To put Egyptian President Sadat on the spot and probe Egyptian intentions.
- To shift public attention away from the US-Israeli dispute, if only temporarily.
- To counter criticism from the opposition Labor Party that he is letting the opportunity for peace with Egypt slip away by adhering to an inflexible position.

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[] Thus far, Israeli press reactions to Weizman's trip have been contradictory and inconclusive. Some commentators--apparently inspired by official leaks--have tried to put the best possible face on the results. The moderate *Jerusalem Post*, for example, argued that the visit was a test of Sadat's peaceful intent and an opportunity to make clear to Egypt that peace can be achieved only through direct negotiations, not by relying on the US to "bludgeon Israel into submitting" to Egyptian demands.

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[] Only the Labor-oriented *Davart* has called the visit a failure. Unless the talks achieved more than appearances suggest, this perception is likely to grow, and give the Labor Party more ammunition for attacking Begin. The continuing impasse may also aggravate differences between Begin and moderates in his coalition, especially in the Democratic Movement for Change. Seven members of this party abstained instead of endorsing Begin's negotiating stance in the Knesset earlier this week.

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[] Weizman would say little to the press after briefing Begin on his return--another sign that the talks did not go well. Sadat's refusal to go forward with negotiations probably

has added to Weizman's sense of frustration and disenchantment with Begin. After his inept power play last week, however, Weizman is likely to proceed with greater caution in dealing with Begin, at least for a while.

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[] Sadat seems to have read Begin's propaganda intentions correctly and acted to counter them. He agreed to the meeting, suggested through the Egyptian media that this could be Israel's final chance to show that it wants peace, and put out the word during the visit that he felt "tricked" because Weizman brought no new proposals. Egyptian officials could not really have expected Weizman to indicate new Israeli flexibility. Most of them believe Sadat's initiative is already dead and were incredulous when Sadat agreed to meet Weizman.

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[] We doubt that Sadat expected new initiatives either. In addition to countering Begin's ploy, he may also have wanted to use the meeting to dramatize to Israel and his Arab critics that Egypt is not interested in a bilateral deal. Such a deal would have been implicit in any resumption of negotiations at this time. Another aspect of Sadat's strategy is to encourage criticism of Begin's policies in Israel and the US.

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[] Neither Israel or Egypt is likely to close completely the channel of communication between Weizman and Egyptian Minister of War Jamasi. Israel does not want to write off the possibility that Egypt might eventually be willing to return to bilateral talks, and Egypt wants to keep the channel open in case domestic pressure in Israel forces a change in policy or in the government. []

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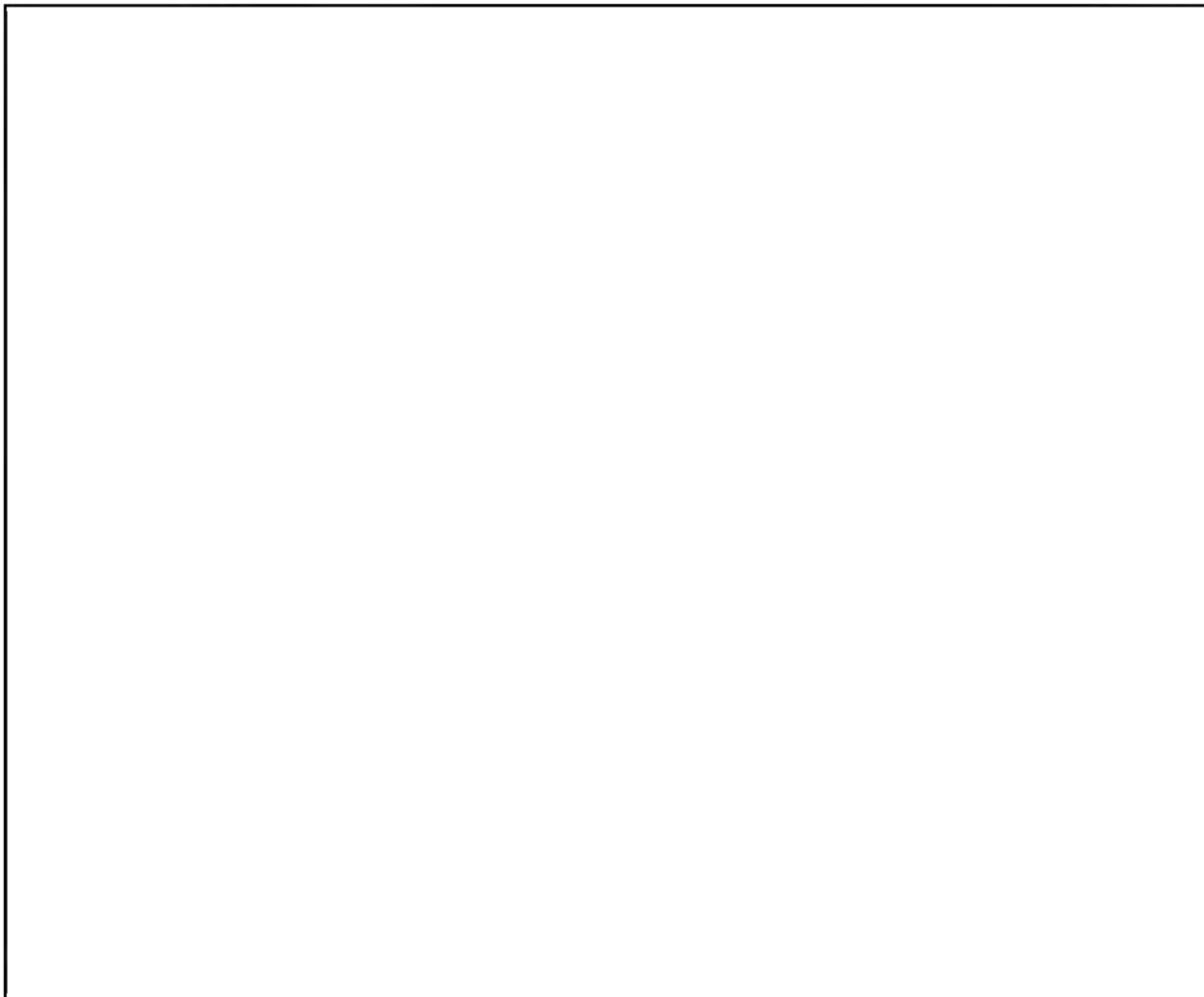
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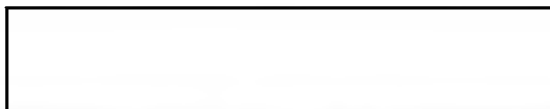


FRANCE: New Prime Minister

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 //French President Giscard's reappointment of Raymond Barre as Prime Minister yesterday indicates the direction of government policies for the immediate future. Although Giscard will seek to ease the political tension between the left and right, he will give priority to handling tough economic problems. Giscard, meanwhile, has apparently chosen to mount a challenge to Gaullist leader Chirac in the election of the National Assembly president on Monday. A new cabinet will be announced next week.//

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[] //The President apparently was guided in his reappointment of Barre by the constraints of the economic situation. The choice symbolizes continuity. Rather than risk fueling inflation and incurring an unfavorable trade balance, which could cause a recession in the second half of 1979, Giscard has opted to continue with Barre's policies, despite pressure from both the Gaullists and the left for a more expansionist approach.//

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[] //The new government will, however, remove price controls; in doing so, it will be bowing to a precondition set by the powerful employers' association for agreeing to pay for increased social measures. Other actions will probably include an increase in the lowest wages, although not in the formal minimum wage, and a guaranteed minimum monthly income of around \$760 for families with three children.//

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[] //The unions have been sounding conciliatory notes since the election, but they will not be happy with these measures, which would only slightly reduce unemployment and leave inflation at about 9 percent annually. The Communist-controlled General Confederation of Labor might call for strikes and protests against the government's policies, and other union groups could join in. The government probably judges, however, that the disunited unions are not ready for a general confrontation and that momentary protests pose no serious threat to stability.//

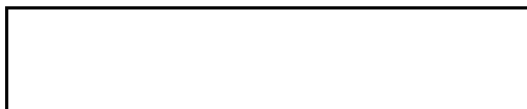
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[] //Giscard had apparently considered replacing Barre with the popular and nonpartisan Simone Veil, now minister of health, or with Justice Minister Alain Peyrefitte, considered to be on the left in the Gaullist party. Either would have reinforced the symbolism of change. Veil, however, has an even slimmer power base than Barre, and Peyrefitte might not have been able to command the allegiance of many Gaullists. Both are considered near-certainties for high posts in the new cabinet.//

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[] //Giscard's challenge to Gaullist leader Chirac in the coming National Assembly leadership election on Monday is widely considered to be his first step in a campaign to split the Gaullists and reduce Chirac's power. Former Prime Minister Jacques Chaban-Delmas will challenge the reelection

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of Assembly president Edgar Faure, who has Chirac's backing. Although Chaban, a liberal Gaullist, is not officially Giscard's candidate, he is associated in the public mind with the President.//

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[redacted] //If Chaban receives enough votes to prevent Faure from winning on the first two ballots, this would either force a compromise on a third candidate or raise the possibility that a Socialist candidate--with probable Communist support--would be elected on the third Ballot. Faure's reelection--or the election of a Socialist as a result of quarrels among the majority--would be a blow to Giscard's newly refurbished prestige.//

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[redacted] //The French press has speculated that Barre's reappointment might be only a temporary expedient, to be followed by a government headed by a figure better able to conciliate the Socialists. To maneuver in such a manner, Giscard would have to create a majority he can control and to have a successful economic policy. If he fails in either task--or both--he is likely to face increasing criticism amid mounting social tension.

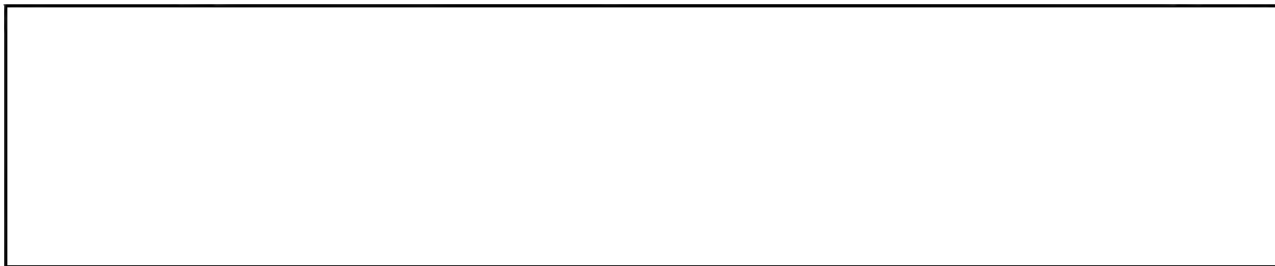
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BRIEF

West Germany

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[redacted] Unions and employers remain at loggerheads in the three-week-old metalworkers' strike in the West German state of Baden-Wuerttemberg. Negotiations are stalled over union demands for guaranteed wage levels when technological changes cause layoffs or transfers into lower paying jobs. Neither side is optimistic about the outcome of the latest round of talks, which began yesterday. More than 230,000 workers are either on strike or have been locked out, and both unions and employers are threatening additional job actions next week.

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[redacted] Government officials clearly are worried that a prolonged strike in the metal industry--a bellwether for the West German economy--will undercut efforts to achieve this year's growth target of 3.5 percent. Chancellor Schmidt and Economics Minister Lambsdorff have publicly cautioned that economic growth and employment prospects could suffer if the metalworkers get significantly higher wage increases than those suggested by the government.

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[redacted] The unions are asking for a 7.5 percent increase but would probably settle for 5.3 percent, a figure employers see as inflationary. The employers would like to win a settlement closer to the 4.6 percent that was rejected by the metalworkers in the state of Hesse. [redacted]

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